

New Hampshire Department of Revenue Administration Fiscal Note Quick Guide

16-2822

SB 511-FN-A, *establishing a refund of a portion of state education property taxes for child and dependent care expenses.*

Senate Ways & Means

The proposed bill would amend RSA 198 by establishing a refund of a portion of the State Education Property Tax paid by New Hampshire taxpayers who received the Federal Child and Dependent Care tax credit pursuant to Internal Revenue Code Section 21.

The refund would be equal to the lesser of 50% of the claimant's Federal Child and Dependent Care tax credit or the total amount of State Education Property tax paid by the claimant less any tax relief already provided by the Low and Moderate Income Homeowners Property Tax Relief program (RSA 198:57). The DRA would be responsible for administering the proposed refund. Refunds would be paid to applicants from funds in the Education Trust Fund.

In order to administer this bill, the DRA would need to create an additional position that would be primarily responsible for reviewing refund applications. This position would be necessary once the bill becomes effective on July 1, 2017. The DRA would also need to create a new form, update systems and gain access to federal tax information before the implementation of the bill.

The Statewide Education Property Tax is locally retained. The proposed bill contemplates the payment of refunds from the Education Trust Fund. As a result, the DRA interprets the proposed refund as an increased expense to the Education Trust Fund (as opposed to a decrease in revenues). The DRA cannot calculate the exact measure of increased expense that would result from the proposed refund because the DRA does not have access to data indicating what portion of New Hampshire homeowners qualify for federal Child and Dependent Care Tax Relief.

The proposed bill states that the state refund would be equal to the lesser of 50% of claimant's Federal Child and Dependent Care tax credit or the total amount of state property tax paid by the claimant less any tax relief already provided by the Low and Moderate Income Homeowners Tax Relief program. According to the US Census Bureau, the average percentage of New Hampshire residents who were homeowners in 2013 was 74.1%.

In 2013 the total amount of Child and Dependent Care Tax Relief that was claimed by NH taxpayers on their federal returns was \$15,718,000. 50% of this amount would be \$7,859,000 which would be the hypothetical amount to be paid out to all recipients of federal Child and Dependent Tax Relief if all recipients were homeowners. If 74.1% (rate of homeownership in NH in 2013) is applied to the amount of federal Child and Dependent Care Tax Relief received by NH residents, the result is \$5,823,519 which would represent the maximum fiscal impact had the bill been in effect in 2013. This is assuming that none of the homeowners were receiving additional tax relief through the Low to Moderate Homeowners Property Tax Relief program and

that homeowners and renters qualify for the federal Child and Dependent Care Tax Relief program at equivalent rates.

To the extent that property tax refunds under the proposed legislation would be limited in instances where the taxpayer also received relief through the Low to Moderate Homeowners Property Tax Relief program, or to the extent that recipients of the federal Child and Dependent Tax Relief program are disproportionately renters, the expenditure increase estimated above would be mitigated.